

# Jan to June 2010 – Venture Capital Activity Report (Part 1)

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# Rationale for this Report

## Why measuring the Human Capital behind Venture Capital is important

Venture capital is a critical lever in the United States to spur innovation, entrepreneurship and economic growth. As a result, there is understandably a significant amount of attention to and celebration of deals and dollars of funding. There are quarterly recaps of aggregate deal and dollar data and trends which receive a considerable amount of attention. In fact, we publish the first report every quarter with these results.

But when we ask venture capitalists what gets them excited about the young, emerging, and often unproven companies in which they invest, we never hear about deals and dollars. Rather, the first answer is frequently “the team” or “the founders”. This demonstrates just how crucial human capital is in VC investment decision-making.

Despite the importance of people in the venture capital equation, there is a dearth of data-driven insight and information about the entrepreneurs behind these companies. That was the impetus for this report.

In this first-ever CB Insights Venture Capital Human Capital Report, we are applying the same rigor we apply to our quarterly tally of deals and dollars to provide an objective, data-driven perspective into the people dimension behind the deals and dollars we so often read about.

This is Part 1 of the Venture Capital Human Capital report. It looks at three characteristics related to founders of venture-backed companies, specifically: race, age & experience and the number of founders per company.

Part 2 of the report will look at the gender and educational background/pedigree of founders.

We think you'll find part 1 of our look at Venture Capital Human Capital interesting, enlightening, and a catalyst for conversation and maybe even some spirited debate. If you have any questions, comments, ideas or if we can assist in any way, please be in touch..

Best,  
The CB Insights team  
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# Data Set, Definitions & Methodology

## How we compiled the Human Capital Venture Capital Report

**Sample** – This report focuses on the founders of private, early-stage internet companies that raised their first round of institutional venture capital funding in the first six months of 2010. These were Seed or Series A investments as compiled and contained in the CB Insights database.

**Data Availability** – CB Insights tracked 185 Seed VC and Series A investments in internet companies in the first half of 2010. We also have profiles containing biographies on founders of companies on CB Insights. Because of varying levels of data availability on founders, this report contains CB Insights' data on 165 of those companies and their respective founders.

**Ethnic/Racial Composition** – Our determination of race and ethnicity of founders is driven algorithmically by data CB Insights has created on last names which leverages US Census Data in addition to several other sources. In cases where ethnicity or race was not conclusively provided by our algorithm, we employed human tagging. In cases where we discuss ethnicity, these statistics reflect the Founders' ethnicities and not the country they were born in.

The terms South Asian and East or Southeast Asian are used in the report. For clarity, South Asia is comprised of India, Pakistan, Bangladesh, Nepal, Bhutan, Maldives and Sri Lanka. East/Southeast Asia is comprised of Myanmar, Cambodia, Laos, Thailand, Vietnam, Malaysia, Indonesia, Brunei, Philippines, China, Japan, North Korea, South Korea, Taiwan, Mongolia, Macau, and Hong Kong.

**Gender Composition** – Our determination of gender is driven algorithmically by data CB Insights has created. In cases where gender was not conclusively provided by our algorithm, we employed human tagging.

**Definition of term “mixed”** – The term “mixed” is employed in various graphs related to gender, race and ethnicity in part 1 and part 2 of the report. A “Mixed Gender” team is used to indicate that a founding team consists of both female and male founders. A “Mixed Race” team indicates for example that a team is composed of White and Black co-founders.

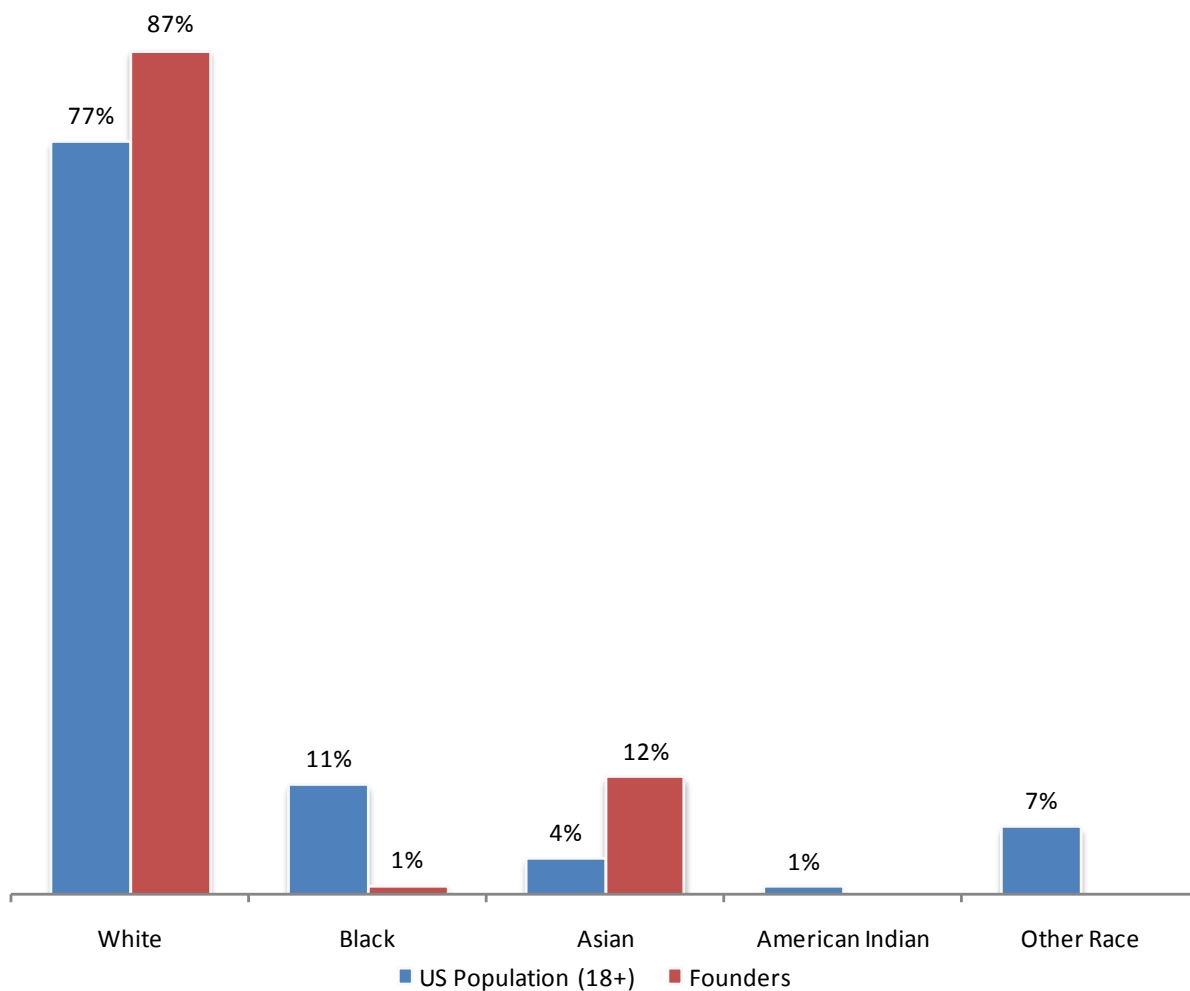
## Q1 & Q2 2010 Venture Capital Human Capital

# RACE

# Racial Composition of VC-Backed Co. Founders vs. Census

## Race - US Population vs. Founders

(Internet Seed & Series A - Jan to June 2010)



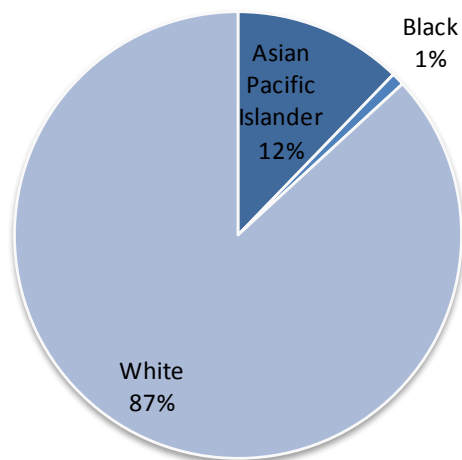
Sample size for the above graph : n=319. US population demographics via US Census (2000).

## 87% of Founders are White

Asians comprise the second largest contingent of founders.

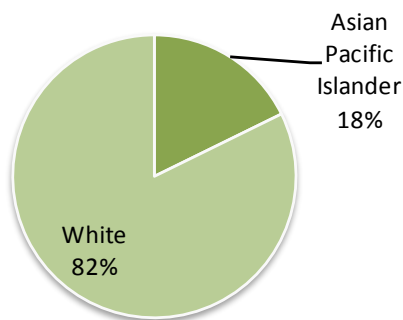
### National - Founders' Race

(Internet Seed & Series A - Jan to June 2010)



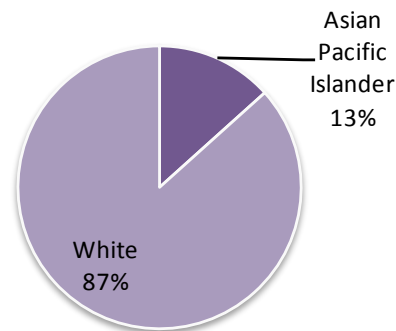
### Cali - Founders' Race

(Internet Seed & Series A - Jan to June 2010)



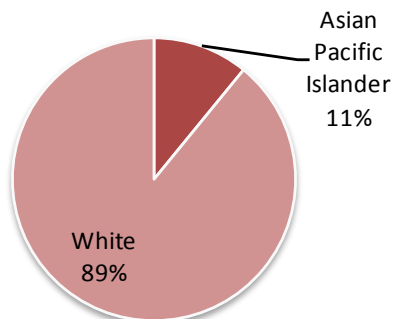
### Mass - Founders' Race

(Internet Seed & Series A - Jan to June 2010)



### New York - Founders' Race

(Internet Seed & Series A - Jan to June 2010)



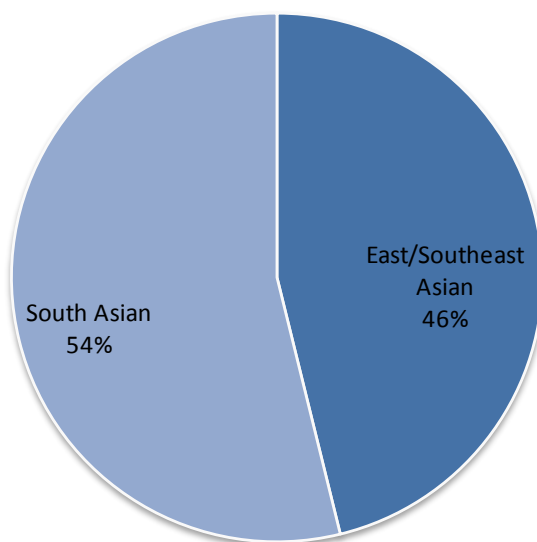
Sample sizes for the above graphs (clockwise): n=319, n=30, n=55, n=141. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

## Near-even Split Amongst Asian Founder Ethnicities

Nationally, South Asian and East/Southeast Asian founders are funded to a similar extent. Massachusetts' most skewed in favor of founders of South Asian descent.

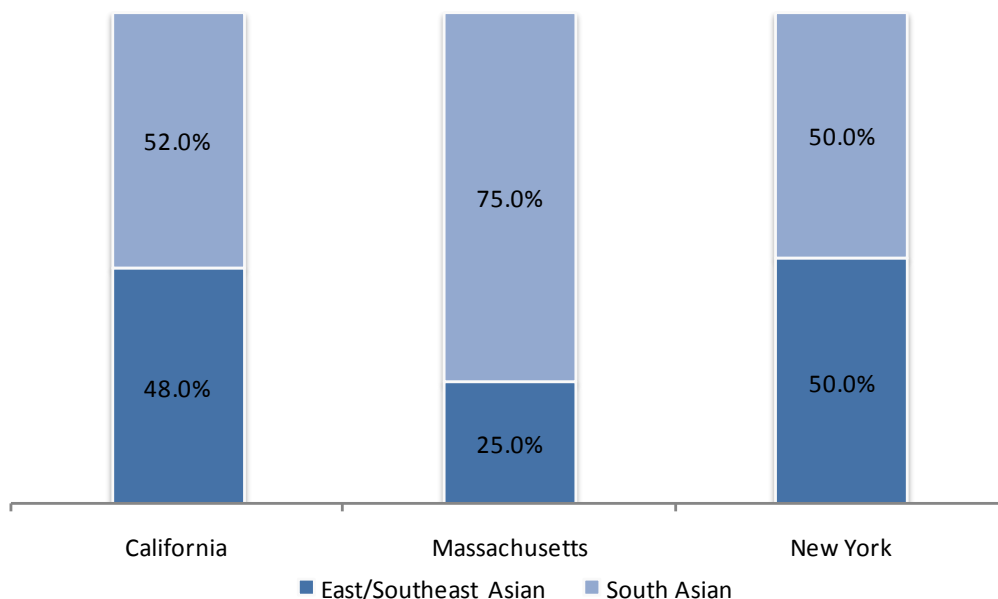
### Asian Founders - South vs. East/Southeast

(InternetSeed & Series A - Jan to June 2010)



### Asian Founders in the Big Three States

(InternetSeed & Series A - Jan to June 2010)

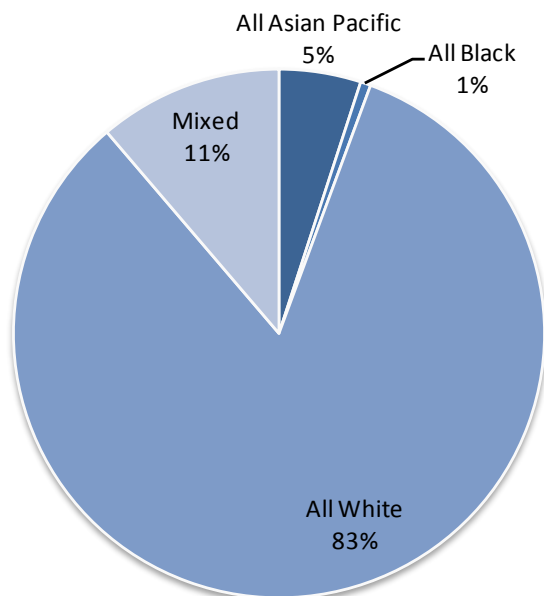


Sample sizes for the above graphs (top, bottom): n=39, n=35. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

**83% of Teams are All-White. All-Asian Teams Raise More \$.**  
89% of founding teams are composed of a single race. All-Asian founding teams raise the largest rounds.

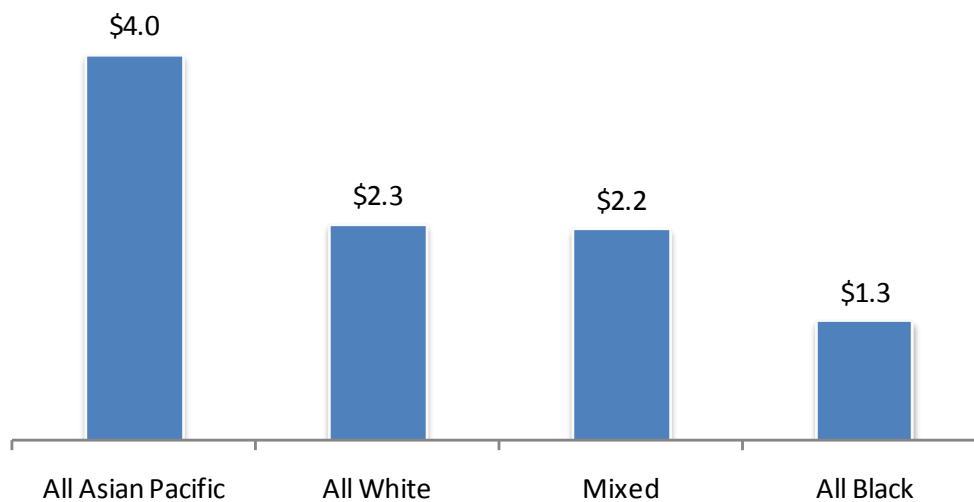
### Founding Team Demographics - Race

(National Internet Seed & Series A - Jan to June 2010)



### Founding Team Racial Composition vs. Median Funding Received (\$M)

(National Internet Seed & Series A - Jan to June 2010)



Sample sizes for the above graphs (top, bottom): n=160, n=159. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

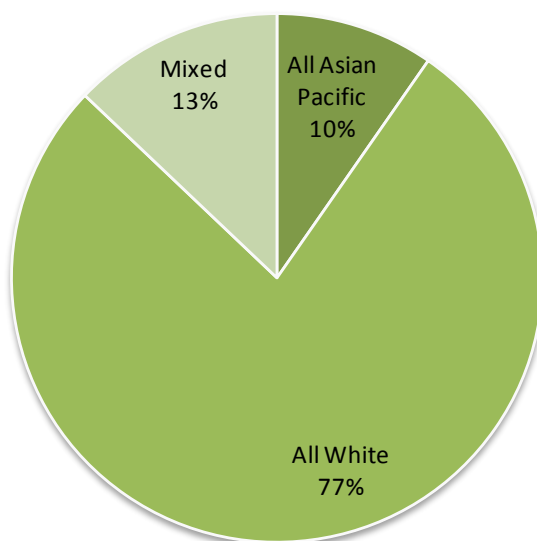


## 77% of Cali Founding Teams are All-White

Mixed race teams come in 2<sup>nd</sup>, making up 13% of the founding teams. Asian teams raise larger funding rounds than mixed or all-white founding teams.

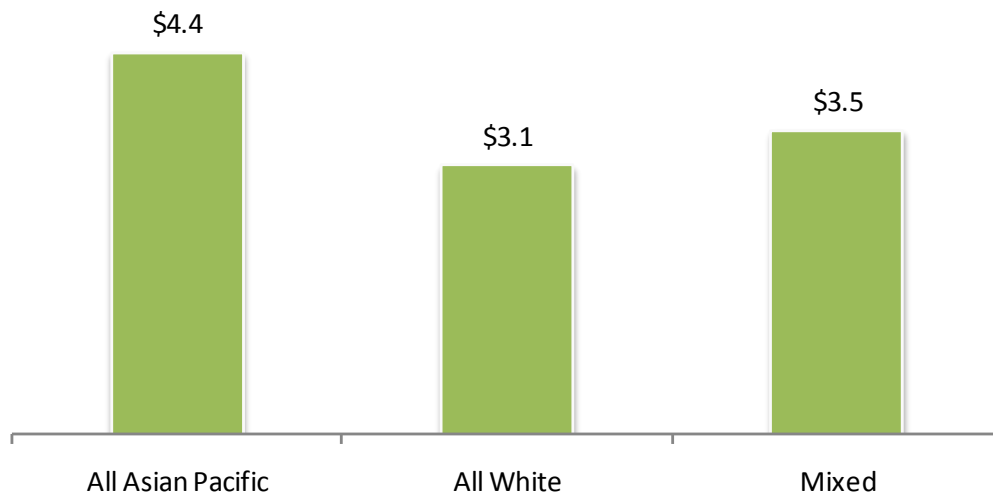
### Founding Team Demographics - Race

(California Internet Seed & Series A - Jan to June 2010)



### Founding Team Racial Composition vs. Median Funding Received (\$M)

(California Internet Seed & Series A - Jan to June 2010)



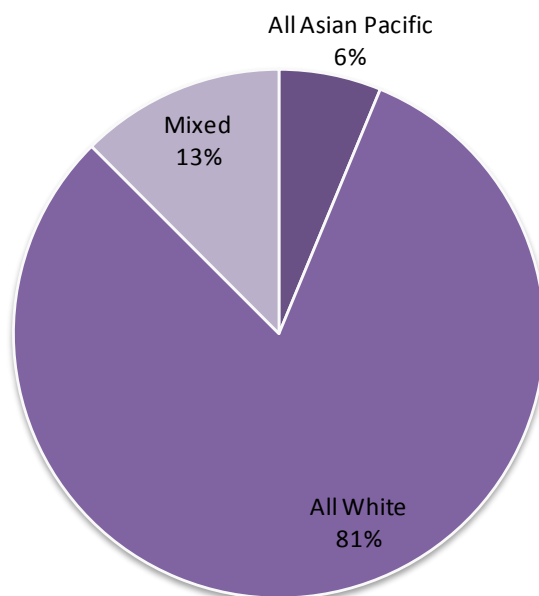
Sample sizes for the above graphs (top, bottom): n=62, n=62. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

## 81% of Massachusetts Founding Teams are All-White

Mixed race teams come in 2<sup>nd</sup>, making up 13% of the founding teams. All-white founding teams raise larger funding rounds than mixed or all-Asian founding teams.

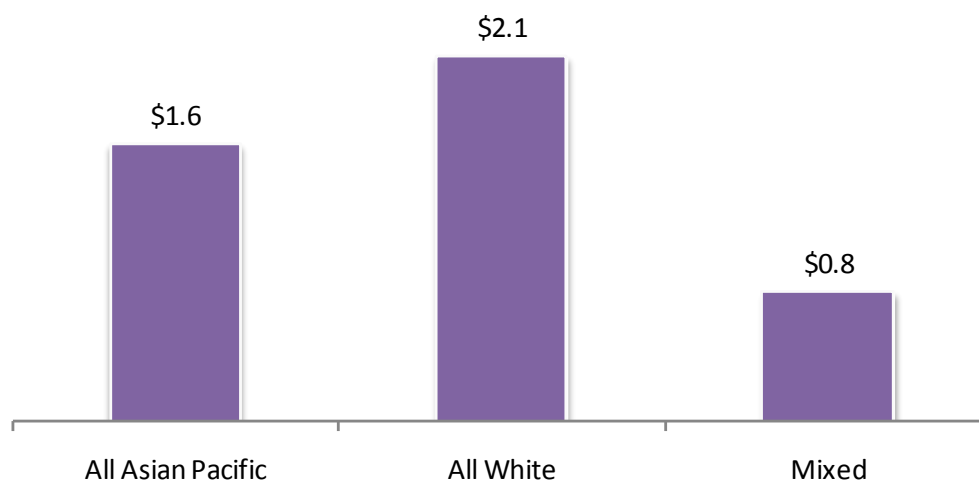
### Founding Team Demographics - Race

(Massachusetts Internet Seed & Series A - Jan to June 2010)



### Founding Team Racial Composition vs. Median Funding Received (\$M)

(Massachusetts Internet Seed & Series A - Jan to June 2010)



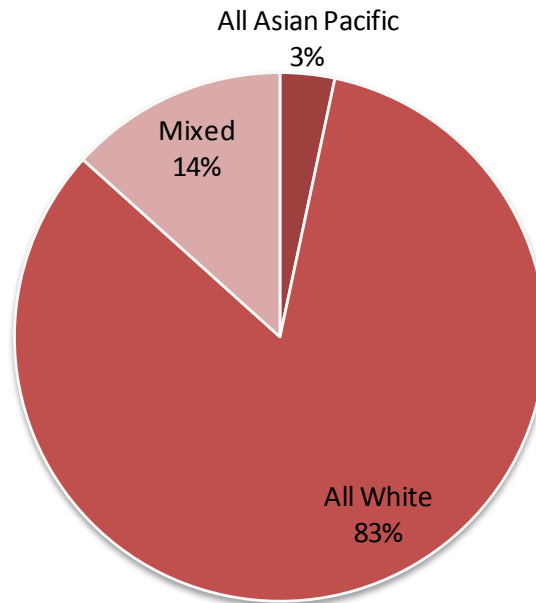
Sample sizes for the above graphs (top, bottom): n=16, n=16. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

## 83% of NY Founding Teams are All-White

Of Big Three States, NY has highest percentage of all white founding teams and lowest proportion of all-Asian founding teams. All-white teams raised most.

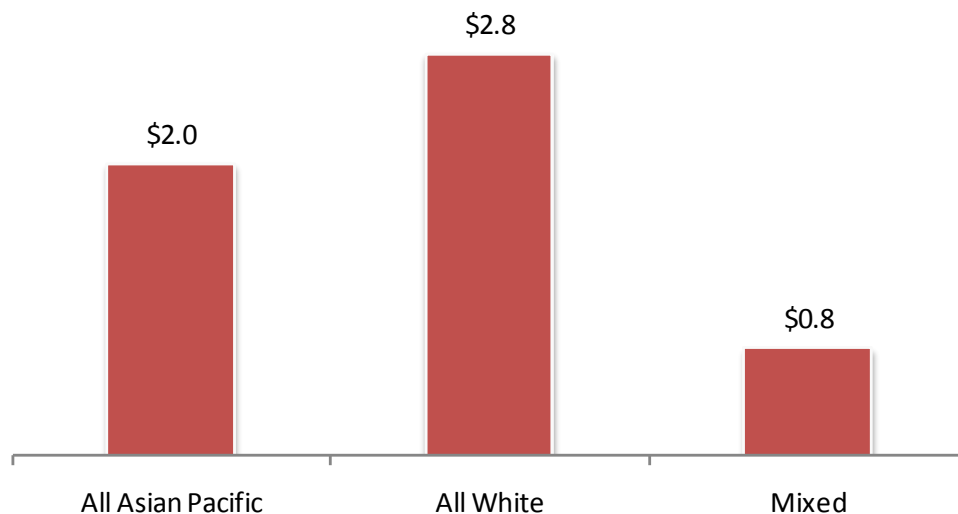
### Founding Team Demographics - Race

(New York Internet Seed & Series A - Jan to June 2010)



### Founding Team Racial Composition vs. Median Funding Received (\$M)

(New York Internet Seed & Series A - Jan to June 2010)



NEW YORK

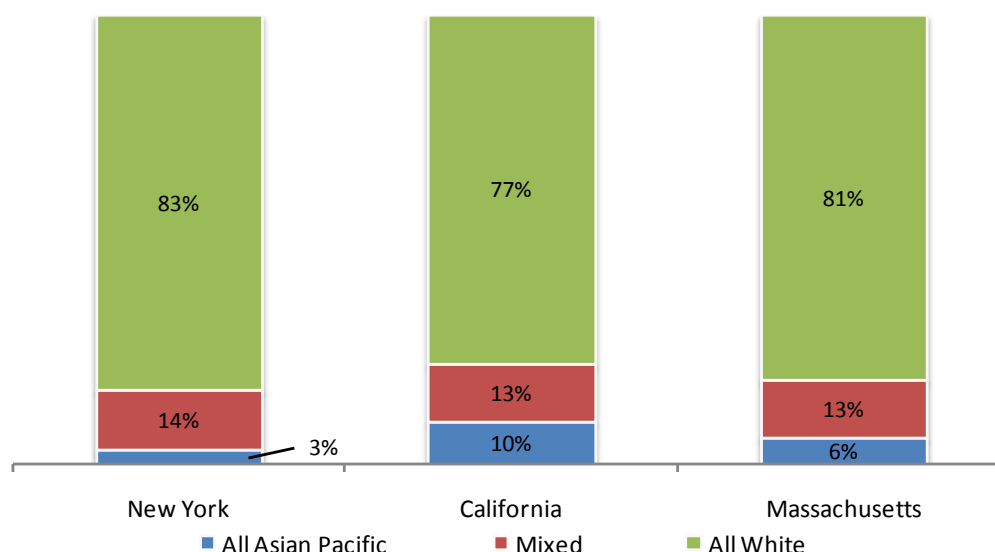
Sample sizes for the above graphs (top, bottom): n=30, n=30. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

## All-White Teams Predominant, Followed by Asian Teams

Cali sees highest proportion of all-Asian teams. Racial composition of founding teams and amount raised show no trend across Big Three States.

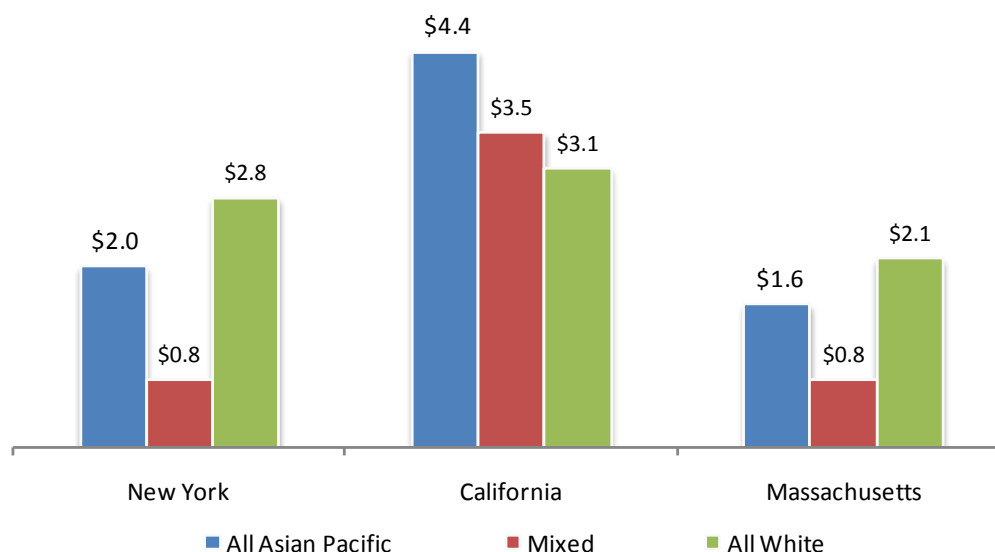
### Comparison of Founding Team Demographics - Race

(InternetSeed & Series A - Jan to June 2010)



### Founding Team Racial Composition vs. Median Funding Received (\$M)

(Internet Seed & Series A - Jan to June 2010)



Sample sizes for the above graphs (top, bottom): n=108, n=108. Data on pages 6 and 7 reflect the race of individual founders. Pages 8-12 detail the racial composition of the founding team.

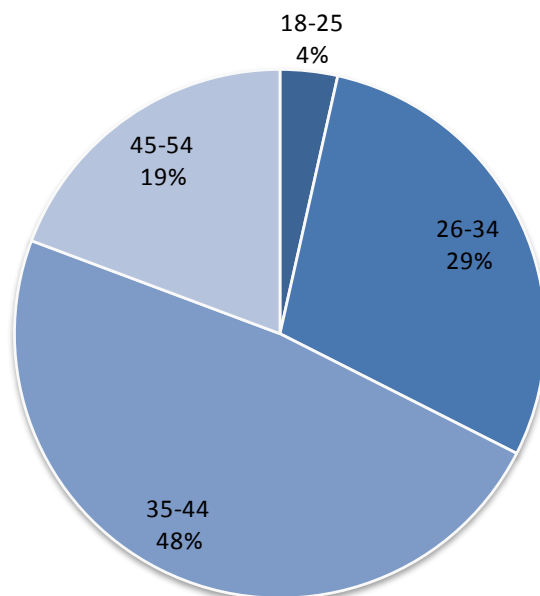
Q1 & Q2 2010 Venture Capital Human Capital

# AGE & EXPERIENCE

**Wunderkinds Not the Norm. Avg Founding Team is 35-44.**  
While 48% of the founding teams fall within the 35-44 average age range, companies with an average age in the range of 26-34 have the highest median funding.

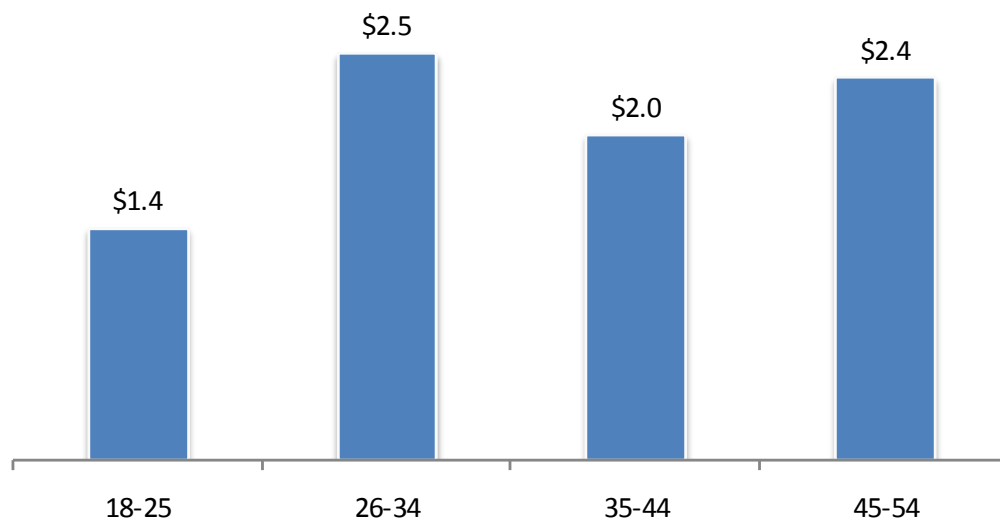
### Founding Team Demographics - Average Age

(National Internet Seed & Series A - Jan to June 2010)



### Founding Team Age Composition vs. Median Funding Received (\$M)

(National Internet Seed & Series A - Jan to June 2010)



NATIONAL

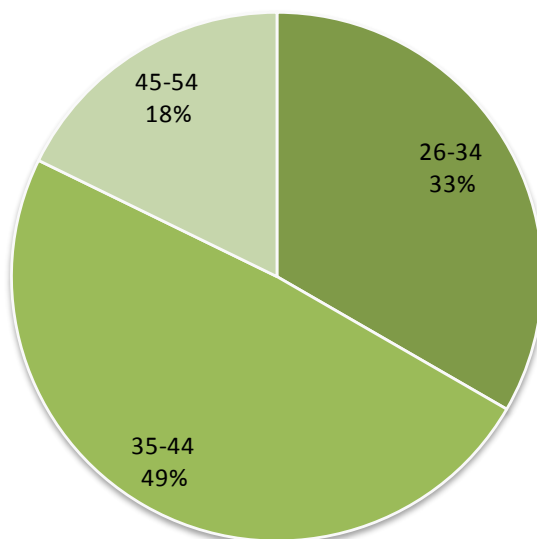
Sample sizes for the above graphs (top, bottom): n=114, n=114

## California Founding Team Ages Mirror National Trend

California's founding teams' age ratios are comparable to national statistics. 26-34 year old teams raise the most funding. No founding teams average 18-25 in Cali.

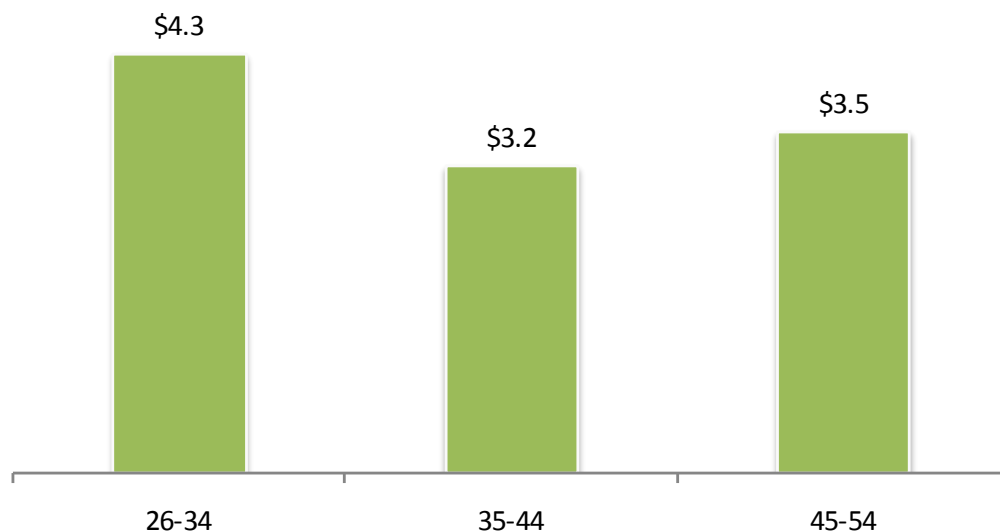
### Founding Team Demographics - Average Age

(California Internet Seed & Series A - Jan to June 2010)



### Founding Team Age Composition vs. Median Funding Received (\$M)

(California Internet Seed & Series A - Jan to June 2010)



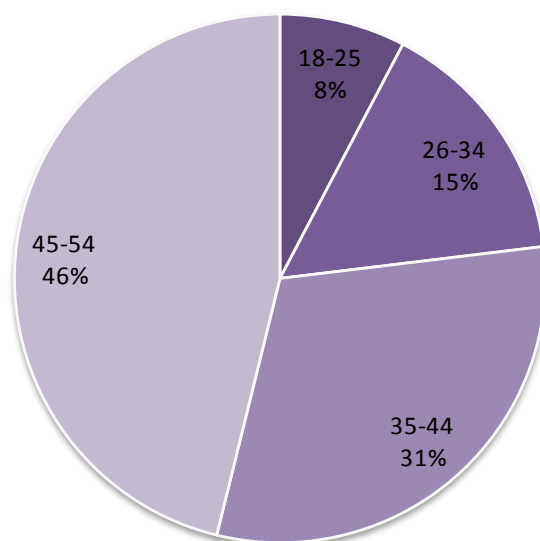
Sample sizes for the above graphs (top, bottom): n=45, n=45

## Massachusetts Founding Teams Tend to be Older

Average age of Mass teams most heavily favors older teams. The youngest and oldest teams raise the largest funding rounds.

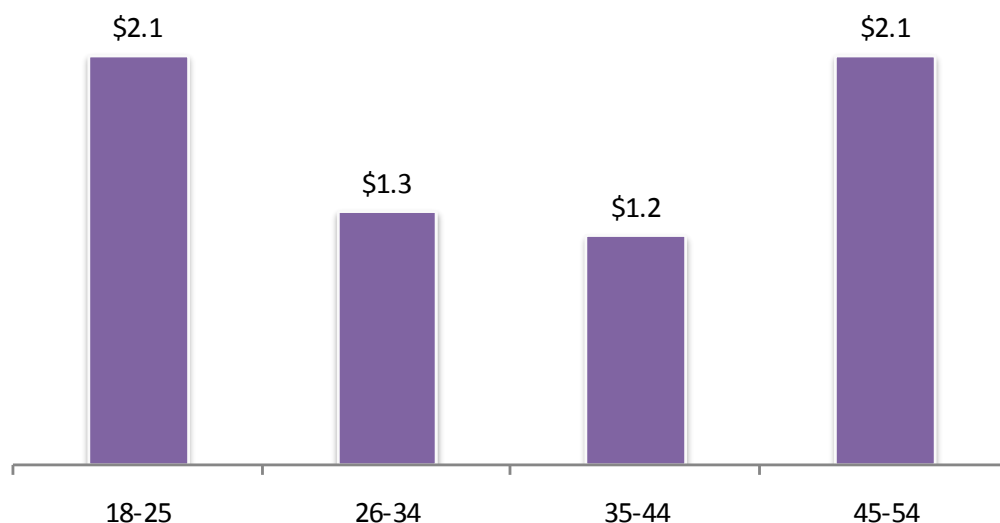
### Founding Team Demographics - Average Age

(Massachusetts Internet Seed & Series A - Jan to June 2010)



### Founding Team Age Composition vs. Median Funding Received (\$M)

(US Internet Seed & Series A - Jan to June 2010)



Sample sizes for the above graphs (top, bottom): n=13, n=13

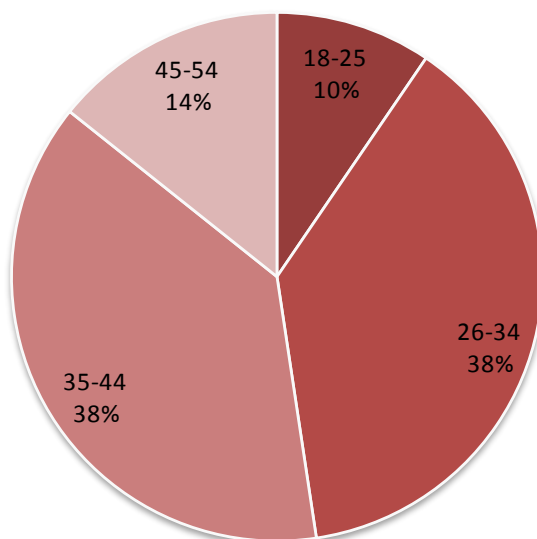


## New York Fundings Favor Young

Of the Big Three, NY sees the most teams with an average age of 18-25. In general, the age of founding teams in NY is lower than their Big Three brethren.

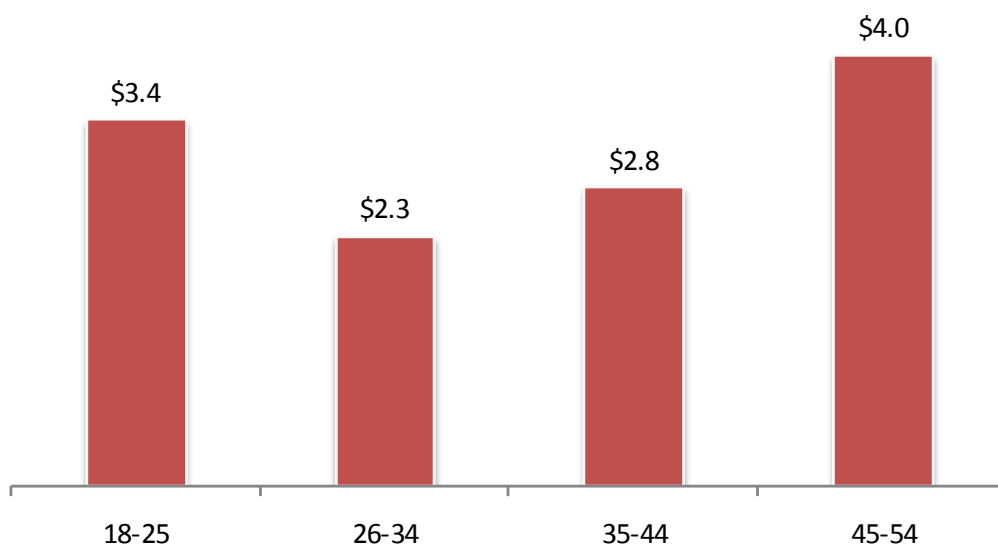
### Founding Team Demographics - Average Age

(New York Internet Seed & Series A - Jan to June 2010)



### Founding Team Age Composition vs. Median Funding Received (\$M)

(New York Internet Seed & Series A - Jan to June 2010)



NEW YORK

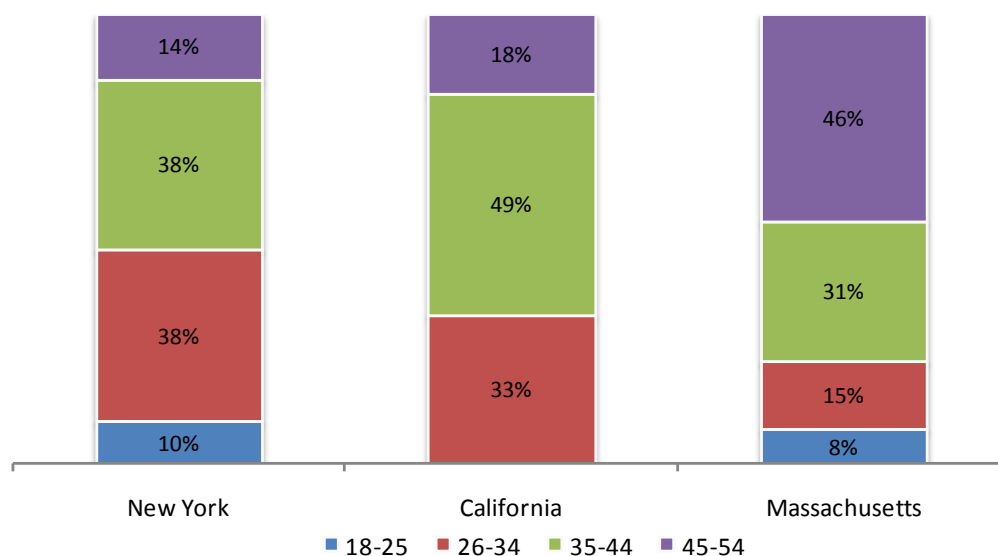
Sample sizes for the above graphs (top, bottom): n=21, n=21

## New York and Mass See Whiz Kid Teams Get Funded

Mass companies are generally led by older founding teams, but do see funding to young teams as well. Funding received and average age show no clear relationship.

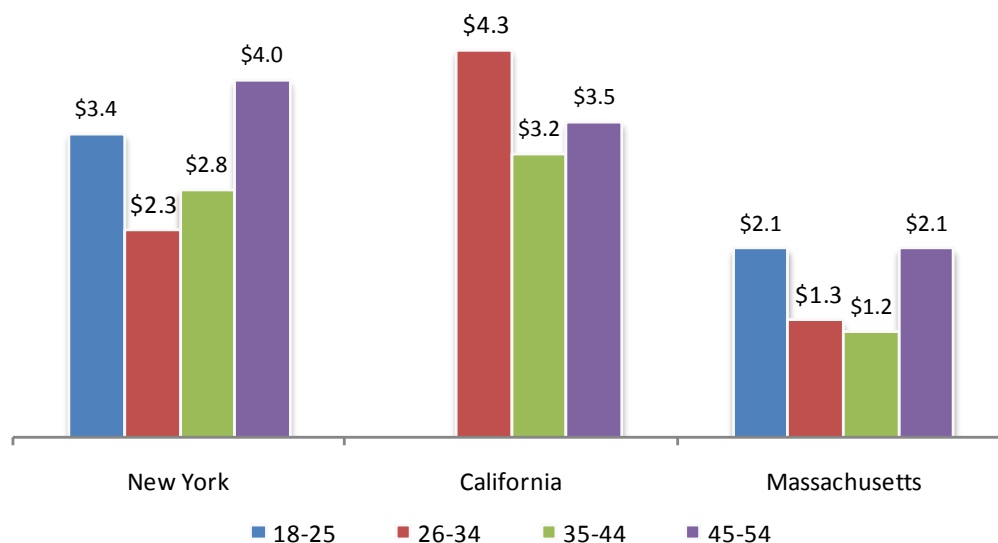
### Comparison of Founding Team Demographics - Average Age

(Internet Seed & Series A - Jan to June 2010)



### Founding Team Age Composition vs. Median Funding Received (\$M)

(Internet Seed & Series A - Jan to June 2010)



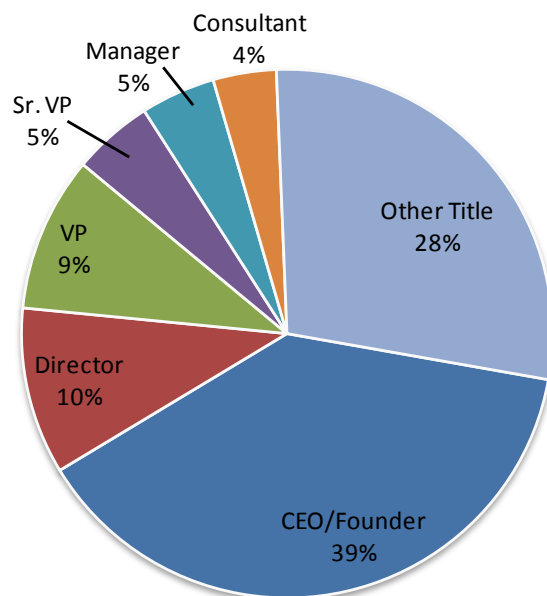
Sample sizes for the above graphs (top, bottom): n=79, n=79

## Wanted: Experienced Founders

39% of founders were formerly CEOs/Founders which supports the idea that VCs back experience. Sales/Marketing and Product Mgmt/Dev are common previous roles.

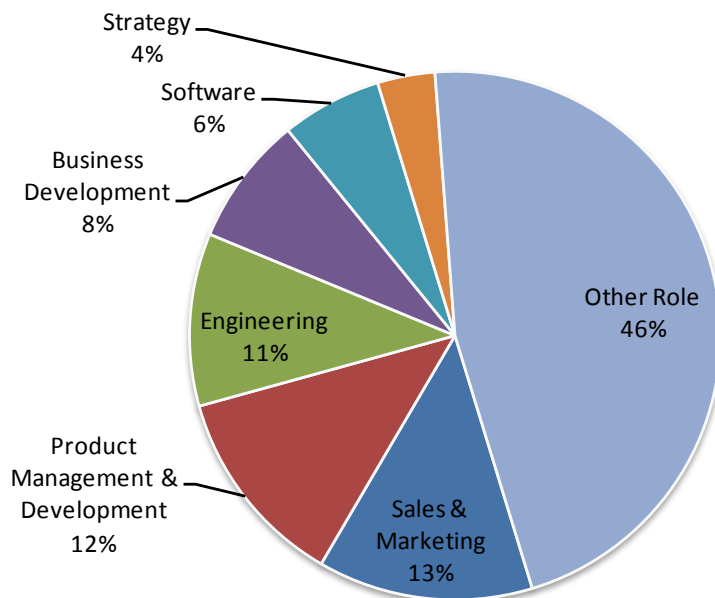
### Former Title - Breakdown of Founders

(National Internet Seed & Series A - Jan to June 2010)



### Former Role - Breakdown of Founders

(National Internet Seed & Series A - Jan to June 2010)



Sample sizes for the above graphs (top, bottom): n=285, n=114

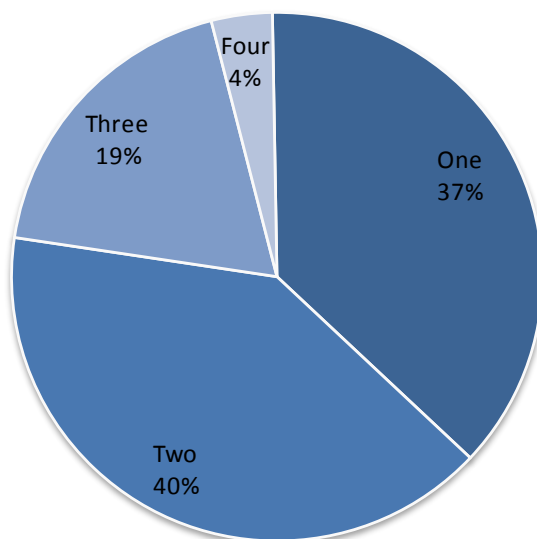
Q1 & Q2 2010 Venture Capital Human Capital

# NUMBER OF FOUNDERS

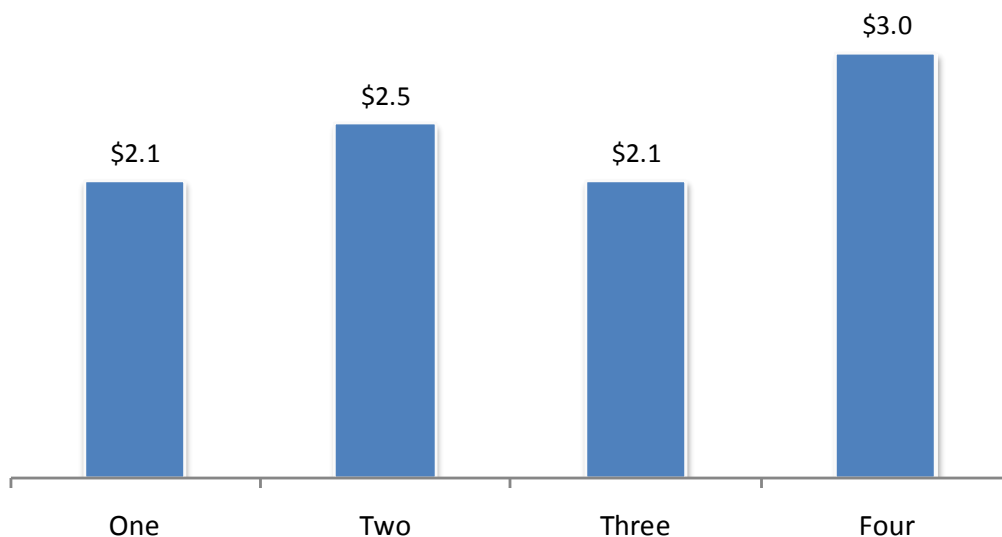
## Going Solo and Raising VC are Not Mutually Exclusive

Although the majority of companies have two or more founders, over a third are led by one founder. More founders does not necessarily result in larger funding rounds.

**# of Founders per Company**  
(National Internet Seed & Series A - Jan to June 2010)



**# of Founders per Company vs. Median Funding Received (\$M)**  
(National Internet Seed & Series A - Jan to June 2010)



NATIONAL

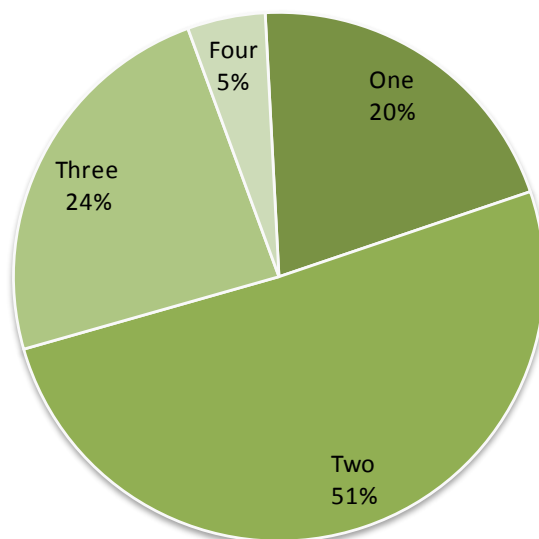
Sample sizes for the above graphs (top, bottom): n=161, n=161

## Two-Founder Companies are the Norm in California

California sees more than half of funded companies with two founders. Funding amounts show no relationship to number of founders.

### # of Founders per Company

(California Internet Seed & Series A - Jan to June 2010)



### # of Founders per Company vs. Median Funding Received (\$M)

(California Internet Seed & Series A - Jan to June 2010)



CALIFORNIA

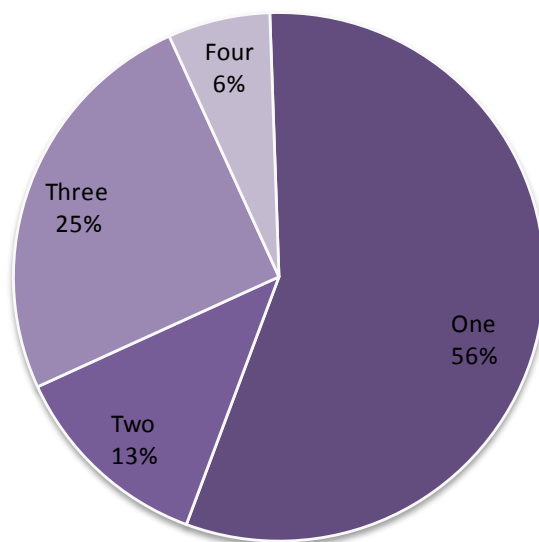
Sample sizes for the above graphs (top, bottom): n=63, n=63

## Massachusetts Says OK to Firms Led by One Founder

Of the Big Three States, Massachusetts has the highest proportion of companies with a single founder. Companies with three founders raise significantly more.

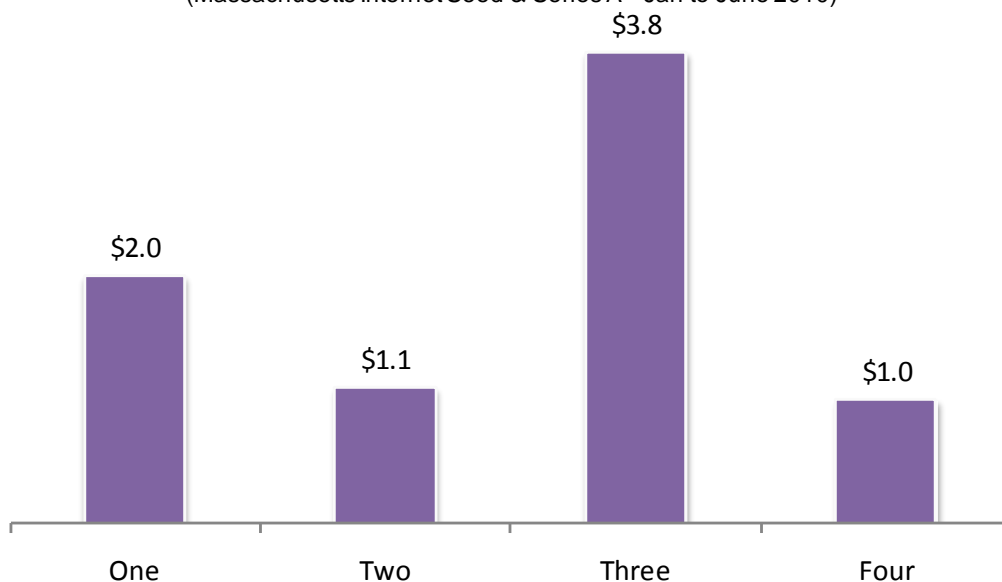
### # of Founders per Company

(Massachusetts Internet Seed & Series A - Jan to June 2010)



### # of Founders per Company vs. Median Funding Received (\$M)

(Massachusetts Internet Seed & Series A - Jan to June 2010)



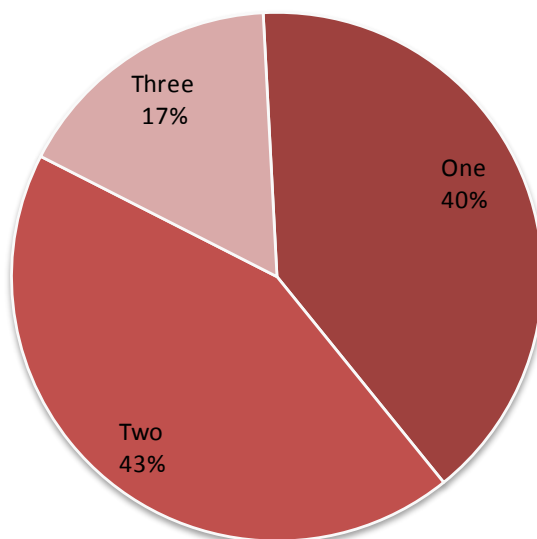
Sample sizes for the above graphs (top, bottom): n=16, n=16

## Flying Solo in New York Gets You More Money?

Majority of New York companies have either 1 or 2 founders. However, companies with one founder raise significantly more money than those with 2 or 3 founders.

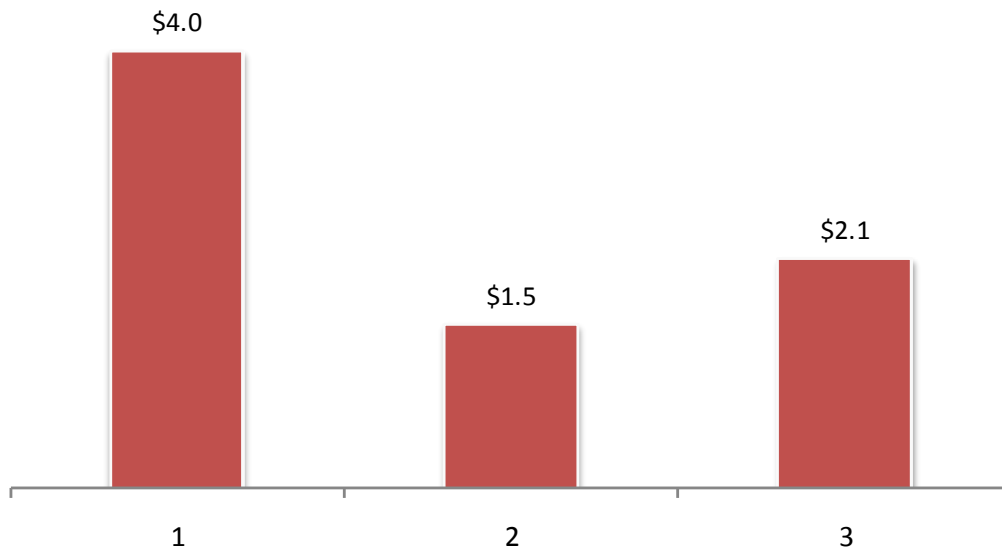
### # of Founders per Company

(New York Internet Seed & Series A - Jan to June 2010)



### # of Founders per Company vs. Median Funding Received (\$M)

(New York Internet Seed & Series A - Jan to June 2010)



NEW YORK

Sample sizes for the above graphs (top, bottom): n=30, n=30



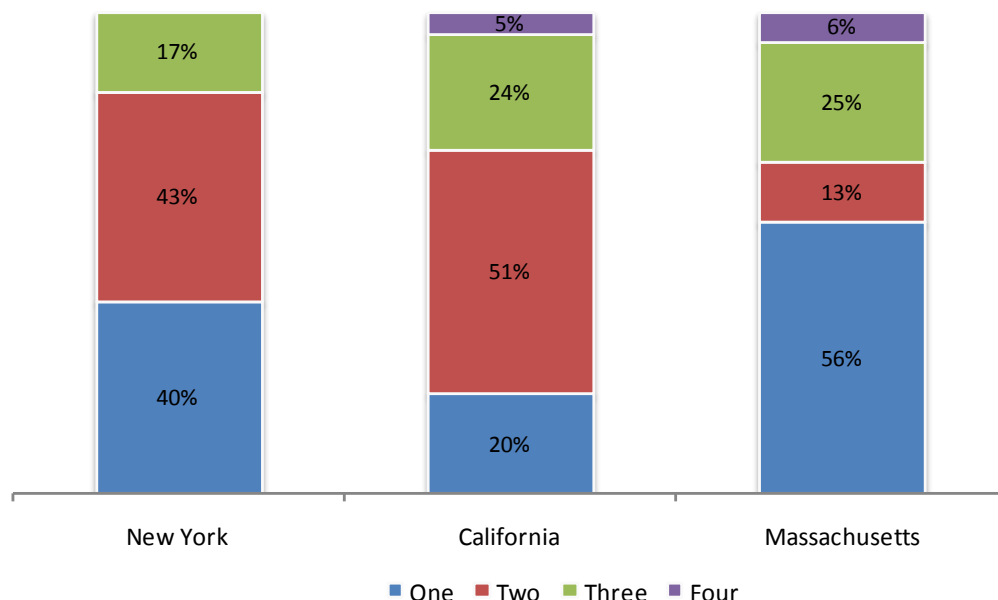
## Individual Founder-Led Firms Not the Norm in California

NY and Cali both favor founding duos, while Mass founders going solo do well.

Median funding across Big Three shows no trend related to number of founders.

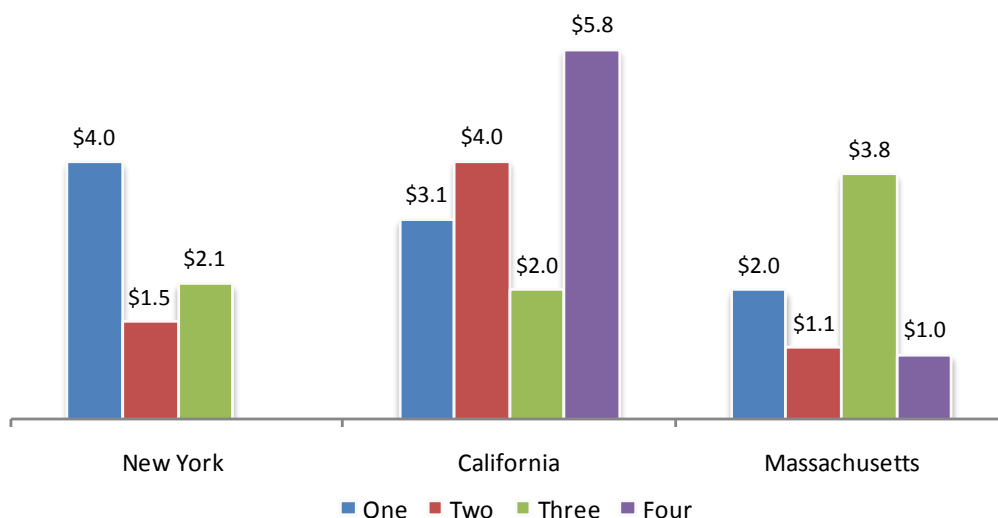
### Comparison of # of Founders per Company

(InternetSeed & Series A - Jan to June 2010)



### # of Founders per Company vs. Median Funding Received (\$M)

(InternetSeed & Series A - Jan to June 2010)



Sample sizes for the above graphs (top, bottom): n=109, n=109

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- Private Equity
- Federal SBIR Grants – 3 years
- State Grant Programs
- Incubators – Over 300
- Middle Market Private Companies

## Sector Coverage

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- Internet
- Mobile & Telecom
- Software
- Energy & Utilities
- Computer Hardware & Services
- Healthcare
- Industrial
- Automotive & Transportation
- Business Products & Services
- Consumer Products & Services
- Electronics
- Environmental Services & Equipment
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## Part 2 Preview – Gender & Education

We will look at data related to the gender and educational backgrounds of individual founders and founding teams.

Part 2 of our Human Capital Venture Capital Report will help answer many questions including:

- What is the proportion of male vs. female founders receiving venture capital?
- What are differences in female vs. male founders in the Big Three States?
- What % of founding teams consist of both male and female founders?
- Do heterogeneous founding teams (male & female) raise more than homogenous teams (all male or all female)?
- Do founders receiving venture funding typically have advanced degrees?
- Does a higher level of educational attainment correlate with more funding?
- Does California prefer technical founders more than NY or Massachusetts?
- Does an MBA hurt or help a company's prospects for receiving venture capital?
- What are the top undergraduate and graduate schools from which founders graduate?

*Part 2 of the Venture Capital Human Capital Report will be pre-released to select journalists, bloggers, investors and entrepreneurs on August 5, 2010. If you'd be interested in receiving early access to part 2 of the report, please email us at [info@cbinsights.com](mailto:info@cbinsights.com).*